

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 875 – HB 936

April 6, 2015

SUMMARY OF ORIGINAL BILL: Authorizes WillowBrook Golf Course in Manchester to grant a franchise for the provision of food and beverage, including alcoholic beverages, on its premises.

FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

SUMMARY OF AMENDMENT (005824): Deletes all language after the enacting clause. Establishes that the rights of WillowBrook Golf Course, as to alcoholic beverage sales for on-premises consumption, may be held by the entity that owns the golf course, the entity that leases the golf course, or an entity operating a restaurant pursuant to a written contract with the entity that owns or leases the golf course. Authorizes any establishment in Cumberland Gap in Claiborne County that is licensed to serve beer to also serve alcoholic beverages and wine for on-premises consumption. Authorizes a restaurant in Davidson County that is located on floatation devices on the Cumberland River in close proximity to a marina to sell alcoholic beverages for on-premises consumption, as a premier type tourist resort.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

**Increase State Revenue – \$600/One-Time/ABC
\$2,700/Recurring/ABC
\$15,700/Recurring/General Fund**

Increase Local Revenue – \$11,600/Recurring/Permissive

Assumptions for the bill as amended:

- WillowBrook Gold Course is currently licensed as a premier type tourist resort and it offers alcoholic beverages for on-premises consumption.
- The provision of this bill as amended affecting WillowBrook Gold Course will not result in a significant increase in sales of food or beverages.
- According to the 2010 federal census, Cumberland Gap has a population of 494.
- It is estimated that one establishment will be licensed pursuant to this bill as amended to serve alcoholic beverages for on-premises consumption.
- There is an initial application fee of \$300 and an estimated \$650 annual fee payable to the Tennessee Alcoholic Beverage Commission (ABC).

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- Given the population of Cumberland Gap, and the relative limited amount of sales that would be anticipated at such an establishment, any increase in tax revenue to state and local government is considered not significant.
- There is an initial application for the restaurant in Davidson County of \$300, and an annual fee of \$2,000, payable to ABC.
- It is assumed that the establishments will begin selling alcohol in FY15-16.
- Local privilege tax is estimated to be \$600 annually. Any increase in local government expenditures for collecting local privilege taxes is estimated to be not significant.
- State and local sales taxes and a 15.0 percent liquor-by-the-drink (LBD) tax will be assessed on alcoholic beverage sales.
- The current state sales tax rate is 7.0 percent; the local option sales tax rate in Davidson County is 2.25 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617%.
- Pursuant to Tenn. Code Ann. § 57-4-306(a), 50.0 percent of the 15.0 percent LBD tax is allocated to the state General Fund and 50.0 percent is distributed to the local government.
- Based on the interquartile average of 2013 LBD tax returns generated by the Department of Revenue and assuming reasonable growth rates in LBD tax collections, the average taxable base per establishment is estimated to be approximately \$110,000 per year.
- Absent any specific detail data on the size of this venue, an estimate of any additional revenue can only be reasonably generated by applying the average taxable base (\$110,000).
- The recurring increase in state revenue to the General Fund is estimated to be \$15,671 $[(\$110,000 \times 7.0\%) - (\$110,000 \times 7.0\% \times 3.617\%) + (\$110,000 \times 15.0\% \times 50.0\%)]$.
- The recurring increase in local revenue is estimated to be \$11,604 $[\$600 + (\$110,000 \times 2.25\%) + (\$110,000 \times 7.0\% \times 3.617\%) + (\$110,000 \times 15.0\% \times 50.0\%)]$.
- Any revenue collected from any state or local taxes imposed on manufacturers or wholesalers is estimated to be not significant.
- No additional personnel or resources will be required by the ABC.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Jeffrey L. Spalding, Executive Director

/bos